

Message Text

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ACTION H-03

INFO OCT-01 EUR-08 ISO-00 SS-07 NSC-06 AID-01 /026 W

----- 052138

O R 131406Z AUG 75

FM AMEMBASSY BONN

TO AMEMBASSY BERN IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

INFO SECSTATE WASHDC 2093

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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PLEASE PASS CODEL ST. GERMAIN

E.O. 11652: N/A

TAGS: EFIN, ECON, GW

SUBJECT: CODEL ST. GERMAIN REQUEST FOR FINANCIAL/
ECONOMIC INFORMATION

REF: BERN 3345

1. FOLLOWING IS REQUESTED DATA FOR THE FEDERAL REPUBLIC
OF GERMANY KEYED TO LETTERED PARAS IN REFTEL:

A. GROSS NATIONAL PRODUCT OF THE FEDERAL REPUBLIC FOR
1974 WAS \$384 BILLION (CONVERTED AT \$1 EQUALS DM 2.59,
THE AVERAGE EXCHANGE RATE DURING 1974). ONLY FIRST
QUARTER GNP DATA FOR 1975 IS SO FAR AVAILABLE. DURING
THE FIRST QUARTER THE SEASONALLY ADJUSTED GERMAN GNP
AMOUNTED TO \$108 (CONVERTED AT \$1 EQUALS DM 2.34, THE
AVERAGE EXCHANGE RATE DURING THAT PERIOD). IN TERMS
OF DEUTSCHEMARK THE SEASONALLY ADJUSTED GNP DECLINED
DURING THE FIRST QUARTER OF 1975 BY 1.5 PERCENT IN
CURRENT PRICES AND BY 3 PERCENT IN CONSTANT PRICES
FROM THE LAST QUARTER OF 1974.

B. THE 1974 EXPENDITURES OF THE GERMAN FEDERAL
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GOVERNMENT TOTALLED \$52.7 BILLION (CONVERTED AT THE

1974 AVERAGE EXCHANGE RATE OF \$1 EQUALS DM 2.59). THE 1975 FEDERAL EXPENDITURE LEVEL IS NOT YET CERTAIN SINCE A SUPPLEMENTAL BUDGET IS CURRENTLY IN PREPARATION. UNOFFICIAL ESTIMATES PUT LIKELY 1975 FEDERAL EXPENDITURES AT APPROXIMATELY \$63.2 BILLION (CONVERTED AT THE CURRENT EXCHANGE RATE OF \$1 EQUALS DM 2.58).

C. THE 1974 GERMAN FEDERAL BUDGET DEFICIT AMOUNTED TO \$3.2 BILLION (CONVERTED AT \$1 EQUALS DM 2.59). THE MOST RECENT INFORMAL FORECAST POINTS TO A 1975 DEFICIT OF ABOUT \$15.5 BILLION (CONVERTED AT \$1 EQUALS DM 2.58). THIS ESTIMATE ALLOWS FOR REDUCED REVENUES RESULTING FROM THE ECONOMIC RECESSION, INCREASED PAYMENTS FOR UNEMPLOYMENT BENEFITS, AND ECONOMIC STIMULATION PROGRAMS OF THE PAST AS WELL AS THOSE PLANNED FOR THE IMMEDIATE FUTURE.

D. ON MARCH 31, 1975, THE TOTAL DEBT OF THE GERMAN FEDERAL GOVERNMENT AMOUNTED TO \$33.3 BILLION (CONVERTED AT \$1 EQUALS DM 2.32, THE AVERAGE EXCHANGE RATE FOR MARCH 1975). ON DECEMBER 31, 1974, THE TOTAL PUBLIC DEBT OF ALL LEVELS OF GOVERNMENT (FEDERATION, STATES, COMMUNITIES AND SPECIAL PUBLIC FUNDS) AMOUNTED TO \$76.1 BILLION (CONVERTED AT \$1 EQUALS DM 2.46, THE AVERAGE EXCHANGE RATE FOR DECEMBER 1974).

E. THE GERMAN BALANCE OF TRADE (IMPORTS CIF, EXPORTS FOB) HAD A SURPLUS OF \$19.6 BILLION (CONVERTED AT \$1 EQUALS DM 2.59) IN 1974. DURING THE FIRST HALF OF 1975 THE SURPLUS DECLINED TO \$8.4 BILLION (CONVERTED AT \$1 EQUALS DM 2.34, THE AVERAGE EXCHANGE RATE DURING THE FIRST HALF OF 1975). IN TERMS OF DEUTSCHEMARK, THE DECLINE WAS, OF COURSE, EVEN MORE MARKED.

F. THE GERMAN COST OF LIVING INDEX INCREASED BY 7 PERCENT IN 1974 OVER 1973. IN JUNE OF 1975 IT STOOD ON A SEASONALLY ADJUSTED BASIS 3 PERCENT ABOVE DECEMBER 1974 AND FOR 1975 AS A WHOLE IS EXPECTED TO BE 6-7 PERCENT OVER 1974.

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G. SPECIFICS ON COST OF LIVING:

(1) REGULAR GASOLINE NOW RETAILS IN GERMANY FOR \$1.21 PER GALLON (CONVERTED AT \$1 EQUALS DM 2.59).

)2) HOME MORTGAGE RATES NOW AVERAGE 8.4 PERCENT IN EFFECTIVE INTEREST PER ANNUM AS OPPOSED TO 10.4 PERCENT LAST NOVEMBER.

(3) ACCORDING TO BUNDESBANK STATISTICS CONSUMER

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FM AMEMBASSY BONN

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CREDIT INTEREST RATES NOW AVERAGE 0.42 PERCENT PER MONTH PAID ON THE WHOLE OF THE ORIGINAL CREDIT (I.E., NOT THE REMAINING BALANCE); THIS WOULD AMOUNT TO A 10.8 PERCENT RATE IN CASE OF A 24 MONTH CREDIT. THIS AVERAGE RATE HAS COME DOWN FROM ABOUT 15 PERCENT LAST FALL. ACTUAL RATES CHARGED CONSUMERS CAN VARY CONSIDERABLY AROUND THESE AVERAGES. THUS BUNDESBANK STATISTICS SHOW THAT DURING JULY (AVERAGE RATE 0.42) THE MONTHLY INTEREST CHARGE VARIED BETWEEN 0.38 AND 0.75 PERCENT.

H. GERMANY HAS NO PRICE AND WAGE CONTROLS.

I. ACCORDING TO GERMAN STATISTICS THE AVERAGE RATE OF UNEMPLOYMENT DURING 1974 WAS 2.6 PERCENT. FOR JULY 1975 THE SEASONALLY ADJUSTED UNEMPLOYMENT RATE WAS 5.7 PERCENT. GERMAN EXPERTS ESTIMATE THAT THE ABOVE FIGURES SHOULD BE REDUCED BY ABOUT 20 PERCENT TO MAKE THEM COMPARABLE TO US STATISTICS. SUCH AN ADJUSTMENT WOULD REDUCE THE JULY 1975 SEASONALLY ADJUSTED GERMAN UNEMPLOYMENT RATE TO 4.6 PERCENT.

J. THE CONCEPT OF A PRIME RATE AS SUCH IS NOT KNOWN
IN GERMANY. CURRENTLY THE RATE AT WHICH IN FACT
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FIRST CLASS MAJOR CUSTOMERS CAN BORROW AT GERMAN BANKS
VARIES BETWEEN 8 - 8.5 PERCENT. WHILE NOT DIRECTLY
TIED TO IT, THIS RATE TENDS TO VARY PARALLEL TO
CHANGES IN THE CENTRAL BANK'S DISCOUNT RATE WHICH
CURRENTLY STANDS AT 4.5 PERCENT AS COMPARED TO 6 PERCENT
AT THE END OF 1974.

K. TAXES:

(1) GERMAN PERSONAL INCOME TAX RATES RANGE FROM
22 PERCENT TO A PEAK MARGINAL RATE OF 56 PERCENT. IN
1974, PERSONAL INCOME TAX RECEIPTS AMOUNTED TO 10
PERCENT OF GNP.

(2) THE CORPORATE INCOME TAX AMOUNTS TO 52.5
PERCENT FOR RETAINED EARNINGS AND 15.5 PERCENT FOR
DISTRIBUTED PROFITS. REVENUES FROM CORPORATE INCOME
TAXES IN 1974 AMOUNTED TO 1 PERCENT OF GNP.

(3) OTHER MAJOR TAXES IN THE FRG INCLUDE THE
VALUE ADDED TAX (1974 YIELD OF 5 PERCENT OF GNP);
TRADE AND BUSINESS TAXES, 2.2 PERCENT; MINERAL OIL
TAXES, 1.6 PERCENT; TOBACCO TAXES, 0.9 PERCENT;
AUTOMOBILE TAXES, 0.5 PERCENT; AND GENERAL PROPERTY
TAXES, 0.3 PERCENT. TOTAL TAXES DURING 1974 AMOUNTED
TO 24 PERCENT OF GNP.
CASH

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